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SUBJECT: MADRID ECONOMIC BI-WEEKLY, AUGUST 3-14

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Government Extends Unemployment Benefits

[¶1.](#) (U) On August 13, the Council of Ministers in special session approved a royal decree/law providing additional assistance of 420 euros (about \$605) per month for six months to the long-term unemployed whose benefits have run out and who lack other sources of income. This supplemental assistance could be extended for another six months if the economy remains weak and unemployment remains high. The Labor Ministry estimates that some 340,000 unemployed will qualify for the new assistance. Though job loss has begun to slow, unemployment remains over 18 percent, and Spain is expected to lag behind other European countries in recovering from the downturn. The new measures are expected to cost about between 640 and 760 million euros, and the government is expected to pay some 33 billion euros in total unemployment assistance and relief in CY 2009. Relief for the long-term unemployed was a component of the tripartite "social dialogue" negotiations that broke down in late July. Now that the government has implemented it unilaterally, labor unions and the opposition Popular Party have denounced the government's action as inadequate. (Council of Ministers press release, 8/13, All media, 8/13-14)

Housing Sales Increase Slightly in June but Remain Well Below Last Year

[¶2.](#) (U) Sales and purchases of housing rose by 4 percent in June over May but were still 25.5 percent less than in the same month in 2008, according to the National Institute of Statistics (INE). Housing transactions fell by a total of 34.9 percent over the first six months of 2009. The June figures appear to indicate that the contraction in sales of new homes may be moderating slightly. (Europa Press, 8/12)

Consumer Price Index Continues to Fall

[¶3.](#) (U) INE also reported that inflation for July was -0.9 percent compared to June and -1.4 percent year-on-year. Since July 2008, when the Consumer Price Index (CPI) was at 5.3 percent, it has fallen for twelve consecutive months. The CPI entered negative territory in March. Despite the

past five months of negative numbers, the government continues to downplay talk of deflation. The sharp decline since last year in the price of oil and fallen prices for food and housing are believed to be driving the CPI figures. (Europa Press, 8/12, El Pais, 8/13)

Telefonica Loses Ground to Alternative Internet Service Providers

14. (U) During the second quarter of 2009, Jazztel and Vodafone bested Telefonica in capturing more new internet subscribers. Together they signed up over 65% of new clients compared to Telefonica's 30%. While former monopoly Telefonica still controls a larger share of the market, with 56% of all internet subscribers, its competition is gaining ground. Jazztel's client base grew by 47% over the past year. The increased competition stems from improvements in customer service and installation. Since the GOS privatized Telefonica in 1997, it has been able to satisfy a minimum standard of service that alternative providers are only recently able to match or beat. Internet service in Spain is still slower and more expensive than in most European countries. It costs 24% more than the European average, and only 10% of its speed lines in Spain operate at higher than 10 Mbps. (El Pais, 8/10)

60 Arrested for Cable Signal Piracy

15. (U) The Spanish National Police announced the arrest of some 60 individuals in five southern cities and the Canary Islands on charges of pirating cable TV signals. Two of the accused are administrators of an internet portal where

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content, especially soccer games, was uploaded and rebroadcast via streaming. Others arrested include heads of neighborhood associations and managers of hotels who are alleged to have been making the pirated material available to their members and clients. A broadcast center in Sevilla was dismantled, and 851 decoders, 1,321 smart cards, and a variety of computers, telephones, and other equipment used in distributing the pirated content were confiscated. Police say the fraud netted several million euros. (El Pais, 8/4)
DUNCAN